

Ms. Donna Nackers, Assistant Director of Reimbursement
Mariner Post-Acute Network
One Ravinia Drive, Suite 1500
Atlanta, Georgia 30346

Re: AC# 3-BKV-J7 – Grancare South Carolina, Inc. d/b/a Brookview Healthcare Center

Dear Ms. Nackers:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1996 through September 30, 1997. That report was used to set the rate covering the contract periods beginning October 1, 1998.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

**GRANCARE SOUTH CAROLINA, INC.
D/B/A BROOKVIEW HEALTHCARE CENTER**

GAFFNEY, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1998
AC# 3-BKV-J7**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

October 5, 1999

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Grancare South Carolina, Inc. d/b/a Brookview Healthcare Center, for the contract periods beginning October 1, 1998, and for the twelve month cost report period ended September 30, 1997, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Grancare South Carolina, Inc. d/b/a Brookview Healthcare Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Grancare South Carolina, Inc. d/b/a Brookview Healthcare Center dated as of September 26, 1996 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
October 5, 1999

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA
State Auditor

BROOKVIEW HEALTHCARE CENTER

Computation of Rate Change
For the Contract Periods
Beginning October 1, 1998
AC# 3-BKV-J7

	<u>10/01/98-</u> <u>11/30/98</u>	<u>12/01/98-</u> <u>09/30/99</u>
Interim reimbursement rate (1)	\$85.41	\$86.16
Adjusted reimbursement rate	<u>80.14</u>	<u>80.89</u>
Decrease in reimbursement rate	\$ <u>5.27</u>	\$ <u>5.27</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 8, 1998

BROOKVIEW HEALTHCARE CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 1998 Through November 30, 1998
AC# 3-BKV-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$32.00	\$45.26	
Dietary		8.39	9.44	
Laundry/Housekeeping/Maint.		<u>7.60</u>	<u>7.70</u>	
Subtotal	\$ <u>4.37</u>	47.99	62.40	\$47.99
Administration & Med. Rec.	\$ <u>-</u>	<u>14.34</u>	<u>10.38</u>	<u>10.38</u>
Subtotal		62.33	<u>\$72.78</u>	58.37
<u>Costs Not Subject to Standards:</u>				
Utilities		2.29		2.29
Special Services		2.95		2.95
Medical Supplies & Oxygen		2.94		2.94
Taxes and Insurance		1.61		1.61
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$72.12</u>		68.16
Inflation Factor (3.60%)				2.45
Cost of Capital				7.70
Cost of Capital Limitation				(.17)
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				4.37
Effect of \$1.75 Cap on Cost/Profit Incentives				(2.62)
Minimum Wage Add-On				<u>.25</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$80.14</u>

BROOKVIEW HEALTHCARE CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Periods December 1, 1998 Through September 30, 1999
AC# 3-BKV-J7

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Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				4.37
Effect of \$1.75 Cap on Cost/Profit Incentives				(2.62)
Minimum Wage and CNA Add-Ons				<u>1.00</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$80.89</u>

BROOKVIEW HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1997
AC# 3-BKV-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,105,755	\$ 359,259 (6) 52,080 (8) 19,648 (9)	\$ 23,429 (2) 1,301 (5) 15,603 (7) 687 (7) 396 (8)	\$1,495,326
Dietary	279,777	120,226 (9)	3,378 (3) 1,704 (4) 1,738 (7) 931 (8) 200 (10)	392,052
Laundry	40,881	18 (8) 18,296 (9)	629 (4)	58,566
Housekeeping	118,080	67,620 (9)	20 (3) 2,060 (7) 932 (8)	182,688
Maintenance	74,204	64 (2) 42,366 (9)	398 (3) 2,328 (4) 69 (8)	113,839
Administration & Medical Records	503,640	19,367 (2) 3,170 (2) 161 (8) 136,266 (9) 9,602 (9)	1,558 (7) 276 (8)	670,372
Utilities	67,618	828 (2) 38,606 (9)	-	107,052
Special Services	93,092	40 (8) 3,995 (10) 40,667 (11)	-	137,794

BROOKVIEW HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1997
AC# 3-BKV-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Medical Supplies & Oxygen	208,673	-	1,084 (3) 30,219 (4) 10,424 (5) 29,357 (10)	137,589
Taxes and Insurance	49,677	25,611 (9)	-	75,288
Legal Fees	-	-	-	-
Cost of Capital	168,966	21,322 (1) 32,826 (9) <u>140,267 (12)</u>	-	363,381
Subtotal	2,710,363	1,152,305	128,721	3,733,947
Ancillary	65,129	-	-	65,129
Non-Allowable	1,731,870	34,880 (4) 11,725 (5) 25,562 (10)	21,322 (1) 359,259 (6) 49,695 (8) 511,067 (9) 40,667 (11) <u>140,267 (12)</u>	681,760
Total Operating Expenses	<u>\$4,507,362</u>	<u>\$1,224,472</u>	<u>\$1,250,998</u>	<u>\$4,480,836</u>
Total Patient Days	<u>31,614</u>	<u>15,121 (13)</u>	<u>-</u>	<u>*46,735</u>

TOTAL BEDS 132

*Adjusted to 97% occupancy
COST OF CAPITAL PATIENT DAYS 47,192

BROOKVIEW HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1997
AC# 3-BKV-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 13,459	
	Other Equity	43,258	
	Cost of Capital	21,322	
	Fixed Assets		\$ 56,717
	Nonallowable		21,322
	To adjust fixed assets and related depreciation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Maintenance	64	
	Administration	19,367	
	Medical Records	3,170	
	Utilities	828	
	Nursing		23,429
	To reclassify expenses to the proper cost centers DH&HS Expense Crosswalk State Plan, Attachment 4.19D		
3	Retained Earnings	4,880	
	Dietary		3,378
	Housekeeping		20
	Maintenance		398
	Medical Supplies		1,084
	To properly charge expenses applicable to the prior period HIM-15-1, Section 2302.1		
4	Nonallowable	34,880	
	Dietary		1,704
	Laundry		629
	Maintenance		2,328
	Medical Supplies		30,219
	To disallow expense due to lack of documentation HIM-15-1, Section 2304		

BROOKVIEW HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1997
AC# 3-BKV-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nonallowable	11,725	
	Nursing		1,301
	Medical Supplies		10,424
	To disallow expense due to lack of documentation HIM-15-1, Section 2304		
6	Nursing	359,259	
	Nonallowable		359,259
	To reverse provider reclassification of nursing salaries HIM-15-1, Sections 2102.3 and 2304		
7	Retained Earnings	21,646	
	Nursing		15,603
	Restorative		687
	Dietary		1,738
	Housekeeping		2,060
	Administration		1,558
	To properly charge salaries applicable to the prior period HIM-15-1, Section 2302.1		
8	Nursing	52,080	
	Laundry	18	
	Administration	161	
	Special Services	40	
	Restorative		396
	Dietary		931
	Housekeeping		932
	Maintenance		69
	Medical Records		276
	Nonallowable		49,695
	To adjust fringe benefits and related allocation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

BROOKVIEW HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1997
AC# 3-BKV-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
9	Restorative	19,648	
	Dietary	120,226	
	Laundry	18,296	
	Housekeeping	67,620	
	Maintenance	42,366	
	Administration	136,266	
	Medical Records	9,602	
	Utilities	38,606	
	Taxes and Insurance	25,611	
	Cost of Capital	32,826	
	Nonallowable		511,067
	To reverse DH&HS adjustment to remove indirect cost applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
10	Special Services	3,995	
	Nonallowable	25,562	
	Dietary		200
	Medical Supplies		29,357
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
11	Special Services	40,667	
	Nonallowable		40,667
	To adjust co-insurance for Medicare Part B services to allowable State Plan, Attachment 4.19D		
12	Cost of Capital	140,267	
	Nonallowable		140,267
	To adjust capital return to allowable State Plan, Attachment 4.19D		

BROOKVIEW HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended September 30, 1997
AC# 3-BKV-J7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
13	<u>Memo Adjustment:</u>		
	To increase total patient days by		
	15,121 to 46,735		
	State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$1,307,715</u>	<u>\$1,307,715</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

BROOKVIEW HEALTHCARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1997
AC# 3-BKV-J7

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.1814</u>	<u>2.1814</u>	
Deemed Asset Value (Per Bed)	34,069	34,069	
Number of Beds	<u>88</u>	<u>44</u>	
Deemed Asset Value	2,998,072	1,499,036	
Improvements Since 1981	561,251	-	
Accumulated Depreciation at 9/30/97	<u>(1,013,071)</u>	<u>(341,761)</u>	
Deemed Depreciated Value	2,546,252	1,157,275	
Market Rate of Return	<u>0.067</u>	<u>0.067</u>	
Total Annual Return	170,599	77,537	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	170,599	77,537	
Depreciation Expense	74,797	39,207	
Amortization Expense	1,005	503	
Capital Related Income Offsets	(267)	-	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	246,134	117,247	\$363,381
Total Patient Days	<u>31,614</u>	<u>15,578</u>	<u>47,192</u>
Cost of Capital Per Diem	\$ <u>7.79</u>	\$ <u>7.53</u>	\$ <u>7.70</u>

BROOKVIEW HEALTHCARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1997
AC# 3-BKV-J7

6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$3.54	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$7.53</u>	<u>\$7.53</u>
Reimbursable Cost of Capital Per Diem		\$7.53
Cost of Capital Per Diem		<u>7.70</u>
Cost of Capital Per Diem Limitation		\$ (<u>.17</u>)